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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

TOM FORESE - Chairman
BOB BURNS
ANDY TOBIN
BOYD DUNN
JUSTIN OLSON

SEP 17 2018

DOCKETED BY

M

In the matter of:

Stephen M. Thompson, an unmarried man,

Leland Energy, Inc., a Nevada corporation,

Leland Kentucky Holdings, Inc., a Kentucky corporation,

Leland Colorado Holdings, Inc., a Colorado corporation,

Leland Tennessee Holdings, Inc., a Nevada corporation,

The Appalachian Drilling Fund II, LLP, a Colorado limited liability partnership,

Knox Drilling Fund II, LLP, a Colorado limited liability partnership,

Green County Energy Fund, LLP, a Colorado limited liability partnership,

Rodgers Production Revenue Fund, LLP, a Nevada limited liability partnership,

Energy Production Revenue Fund, LLP, a Nevada limited liability partnership,

Block City Drilling Fund, LLP, a Nevada limited liability partnership,

Weld County Drilling Fund, LLP, a Nevada limited liability partnership,

Wattenberg Drilling Fund, LLP, a Nevada limited liability partnership,

Wattenberg Drilling Fund II, LLP, a Nevada limited liability partnership,

DOCKET NO. S-21014A-17-0174

DECISION NO. 76874

ORDER TO CEASE AND DESIST, ORDER FOR RESTITUTION, ORDER FOR ADMINISTRATIVE PENALTIES, AND ORDER TO DISMISS IN PART WITHOUT PREJUDICE

1 Greeley Wattenberg Drilling Fund, LLP, a)
 Nevada limited liability partnership,)
 2)
 Opportunity Drilling & Acquisition Fund,)
 3 LLP, a Nevada limited liability partnership,)
)
 4 Presidents Fund, LLP, a Nevada limited)
 liability partnership,)
 5)
 Leland Energy Fund, LLP, a Nevada limited)
 6 liability partnership,)
)
 7 Leland Energy Fund II, LLP, a Nevada)
 limited liability partnership,)
 8)
 Extension Drilling & Revenue Fund, LLP, a)
 9 Nevada limited liability partnership,)
)
 10 Kirtan S. Khalsa, an unmarried man, and)
)
 11 Joseph E. Finateri, an unmarried man,)
)
 12 Respondents.)

13 On August 8, 2017, the Securities Division ("Division") of the Arizona Corporation
 14 Commission ("Commission") filed an Amended Notice of Opportunity for Hearing (the "Notice")
 15 against Respondents Stephen M. Thompson, Leland Energy, Inc., Leland Kentucky Holdings, Inc.,
 16 Leland Colorado Holdings, Inc., The Appalachian Drilling Fund II, LLP, Knox Drilling Fund II,
 17 LLP, Green County Energy Fund, LLP, Joseph E. Finateri, and others.

18 On August 25, 2017, the Division served a copy of the Notice, upon Stephen M. Thompson,
 19 by mailing it via certified mail to his mailing address. No request for a hearing or answer to the Notice
 20 has been filed as of August 27, 2018.

21 On April 9, 2018, the Division served a copy of the Notice, upon Leland Energy, Inc., by
 22 leaving a copy with its registered agent, Andrea Weinberger. No request for a hearing or answer to
 23 the Notice has been filed as of August 27, 2018.

24 On October 17, 2017, the Division served a copy of the Notice, upon Leland Kentucky
 25 Holdings, Inc., by leaving a copy with its statutory agent, InCorp Services, Inc. No request for a
 26 hearing or answer to the Notice has been filed as of August 27, 2018.

1 On October 10, 2017, the Division served a copy of the Notice, upon Leland Colorado
2 Holdings, Inc., by leaving a copy with its statutory agent, InCorp Services, Inc. No request for a
3 hearing or answer to the Notice has been filed as of August 27, 2018.

4 On October 10, 2017, the Division served a copy of the Notice, upon The Appalachian
5 Drilling Fund II, LLP, by leaving a copy with its statutory agent, Search Company International. No
6 request for a hearing or answer to the Notice has been filed as of August 27, 2018.

7 On October 10, 2017, the Division served a copy of the Notice, upon Knox Drilling Fund II,
8 LLP, by leaving a copy with its statutory agent, Search Company International. No request for a
9 hearing or answer to the Notice has been filed as of August 27, 2018.

10 On October 10, 2017, the Division served a copy of the Notice, upon Green County Energy
11 Fund, LLP, by leaving a copy with its statutory agent, Search Company International. No request for
12 a hearing or answer to the Notice has been filed as of August 27, 2018.

13 On August 25, 2017, the Division served a copy of the Notice, upon Joseph E. Finateri, by
14 mailing it via certified mail to his home address. No request for a hearing or answer to the Notice has
15 been filed as of August 27, 2018.

16 The Notice is dismissed without prejudice as to the other Respondent entities.

17 **I.**

18 **FINDINGS OF FACT**

19 1. Stephen M. Thompson ("Thompson") has been an unmarried man and a resident of the
20 state of California since at least December 16, 2005. Thompson has been the President of Leland
21 Energy, Inc. at all relevant times.

22 2. Leland Energy, Inc. ("Leland Energy") is a corporation organized under the laws of the
23 state of Nevada in June 2001.

24 3. Leland Kentucky Holdings, Inc. ("Leland Kentucky") is a corporation organized under
25 the laws of the state of Kentucky in August 2007 and was at all relevant times a wholly owned subsidiary
26 of Leland Energy.

1 4. Leland Colorado Holdings, Inc. ("Leland Colorado") is a corporation organized under
2 the laws of the state of Colorado in May 2010 and was at all relevant times a wholly owned subsidiary
3 of Leland Energy.

4 5. Leland Tennessee Holdings, Inc. ("Leland Tennessee") is a corporation organized under
5 the laws of the state of Nevada in December 2011 and was at all relevant times a wholly owned
6 subsidiary of Leland Energy.

7 6. The Appalachian Drilling Fund II, LLP ("Appalachian Fund") is a limited liability
8 partnership organized under the laws of the state of Colorado in September 2005. Leland Energy was at
9 all relevant times the managing partner of Appalachian Fund.

10 7. Knox Drilling Fund II, LLP ("Knox Fund") is a limited liability partnership organized
11 under the laws of the state of Colorado in August 2006. Leland Energy was at all relevant times the
12 managing partner of Knox Fund.

13 8. Green County Energy Fund, LLP ("Green County Fund") is a limited liability
14 partnership organized under the laws of the state of Colorado in March 2006. Leland Energy was at all
15 relevant times the managing partner of Green County Fund.

16 9. Rodgers Production Revenue Fund, LLP ("Rodgers Fund") is a limited liability
17 partnership organized under the laws of the state of Nevada in October 2007. Leland Energy was at all
18 relevant times the managing partner of Rodgers Fund.

19 10. Energy Production Revenue Fund, LLP ("Energy Fund") is a limited liability partnership
20 organized under the laws of the state of Nevada in April 2007. Leland Kentucky was at all relevant times
21 the managing partner of Energy Fund.

22 11. Block City Drilling Fund, LLP ("Block Fund") is a limited liability partnership
23 organized under the laws of the state of Nevada in February 2008. Leland Kentucky was at all relevant
24 times the managing partner of Block Fund.

1 12. Weld County Drilling Fund, LLP ("Weld Fund") is a limited liability partnership
2 organized under the laws of the state of Nevada in May 2010. Leland Colorado was at all relevant times
3 the managing partner of Weld Fund.

4 13. Wattenberg Drilling Fund, LLP ("Wattenberg Fund") is a limited liability partnership
5 organized under the laws of the state of Nevada in December 2010. Leland Colorado was at all relevant
6 times the managing partner of Wattenberg Fund.

7 14. Wattenberg Drilling Fund II, LLP ("Wattenberg Fund II") is a limited liability
8 partnership organized under the laws of the state of a Nevada in March 2011. Leland Colorado was at
9 all relevant times the managing partner of Wattenberg Fund II.

10 15. Greeley Wattenberg Drilling Fund, LLP ("Greeley Fund") is a limited liability
11 partnership organized under the laws of the state of Nevada in August 2011. Leland Colorado was at all
12 relevant times the managing partner of Greeley Fund.

13 16. Opportunity Drilling & Acquisition Fund, LLP ("Opportunity Fund") is a limited
14 liability partnership organized under the laws of the state of Nevada in January 2013. Leland Tennessee
15 was at all relevant times the managing partner of Opportunity Fund.

16 17. Presidents Fund, LLP ("Presidents Fund") is a limited liability partnership organized
17 under the laws of the state of Nevada in December 2011. Leland Tennessee was at all relevant times the
18 managing partner of Presidents Fund.

19 18. Leland Energy Fund, LLP ("Leland Energy Fund") is a limited liability partnership
20 organized under the laws of the state of Nevada in June 2012. Leland Tennessee was at all relevant times
21 the managing partner of Leland Energy Fund.

22 19. Leland Energy Fund II, LLP ("Leland Energy Fund II") is a limited liability partnership
23 organized under the laws of the state of Nevada in July 2012. Leland Tennessee was at all relevant times
24 the managing partner of Leland Energy Fund II.

1 20. Extension Drilling & Revenue Fund, LLP (“Extension Fund”) is a limited liability
2 partnership organized under the laws of the state of Nevada in June 2013. Leland Colorado was at all
3 relevant times the managing partner of Extension Fund.

4 21. Joseph E. Finateri (“Finateri”) has been an unmarried man and a resident of the state of
5 Nevada since at least November 1, 2011.

6 22. The Appalachian Drilling Fund II, LLP, Knox Drilling Fund II, LLP, Green County
7 Energy Fund, LLP, Rodgers Production Revenue Fund, LLP, Energy Production Revenue Fund, LLP,
8 Block City Drilling Fund, LLP, Weld County Drilling Fund, LLP, Wattenberg Drilling Fund, LLP,
9 Wattenberg Drilling Fund II, LLP, Greeley Wattenberg Drilling Fund, LLP, Opportunity Drilling &
10 Acquisition Fund, LLP, Presidents Fund, LLP, Leland Energy Fund, LLP, Leland Energy Fund II, LLP,
11 and Extension Drilling & Revenue Fund, LLP may be referred to collectively as the “Leland Funds.”

12 23. Thompson, Leland Energy, Inc., Leland Kentucky Holdings, Inc., Leland Colorado
13 Holdings, Inc., Leland Tennessee Holdings, Inc., the Leland Funds, and Finateri may be referred to
14 collectively as “Respondents.”

15 24. None of the Respondents have been registered by the Commission as securities salesmen
16 or dealers, and none of the Respondents’ securities have been registered by the Commission.

17 25. Leland Energy, Inc., Leland Kentucky Holdings, Inc., Leland Colorado Holdings, Inc.,
18 Leland Tennessee Holdings, Inc., and the Leland Funds are a group of companies controlled by
19 Thompson. Thompson has signed legal documents on behalf of Leland Energy as its President, and
20 Thompson has been the President of Leland Energy at all relevant times.

21 *The Leland Energy Offerings*

22 26. The Leland Funds are a series of limited liability partnerships located in California
23 that sold partnership equity units to Arizona investors. The Leland Funds, and Leland Tennessee
24 selling a similar product, raised approximately \$3,200,000 from 36 Arizona investors between May
25 2007 and July 2013. Each Leland Fund pooled its investors’ funds to operate oil and gas leases, sell
26 the oil and gas, and then distribute a portion of the sale proceeds to its investors.

1 27. Leland Energy used cold calls placed by salesmen in California and Nevada to solicit
2 sales of Leland Fund partnership units to Arizona investors. Leland Energy's salesmen spoke
3 positively of Leland Energy and called potential investors repeatedly if necessary. Finateri was a
4 salesman who sold Leland Fund units through cold calls to potential Arizona investors.

5 28. A Leland Energy salesman told at least one Arizona investor in approximately May
6 2007 that an investment in the Knox Fund would repay his principal with a 30–40% percent return
7 within just a few months. In fact, the \$12,500 Knox Fund investment he made in May 2007 yielded
8 payments for only the first few months, and the payments were only a few hundred dollars each.

9 29. Another Arizona investor made a \$35,000 investment in the Energy Fund in July
10 2008. She received small returns from her investment for approximately one year, then received no
11 further payments for her investment.

12 30. A Leland Energy salesman told at least one Arizona investor in approximately June
13 2010 that the Leland Funds had a history of success in drilling oil wells and that the wells always did
14 very well, even though at that time the Knox Fund and the Energy Fund each had at least one investor
15 who had not received any investment returns for approximately a year or more. This salesman also
16 told the same investor that a Leland Fund investment was a conservative investment when, in fact,
17 the Leland Funds' subscription agreements stated that the investment actually "involves a high degree
18 of risk." This salesman also told the same investor that Leland Energy had a good reputation and
19 track record but did not tell him about any enforcement actions against Leland Energy.

20 31. Finateri told at least one Arizona investor in approximately November 2011 that the
21 Leland Funds had a 90–95% success rate and would pay a 90% return within the first year and a half
22 of the investment. Finateri told at least one other Arizona investor in approximately September 2012
23 that the Leland Fund oil projects were all doing well and were expected to do well for a long time,
24 even though at that time the Knox Fund and the Energy Fund each had at least one investor who had
25 not received any investment returns for years.

1 32. Leland Energy sent a partnership agreement and subscription agreement to interested
2 Arizona investors for the relevant Leland Fund. For at least five investors, Thompson signed these
3 agreements on behalf of Leland Colorado or Leland Tennessee.

4 33. Each Leland Fund had a partnership agreement and subscription agreement that were
5 substantially similar to those of the other Leland Funds. The Leland Fund partnership agreements
6 stated that investors would be required to “actively participate in important business decisions ... by
7 exercising their voting power.” However, the Leland Fund subscription agreements noted that, “as a
8 practical matter it would be difficult for the Partnership to be managed by dozens of Partners,” and
9 according to the subscription agreements, investors were not required to have experience in oil and
10 gas drilling, exploration, and operations. In fact, many investors were actually passive investors who
11 did not participate in managing the Leland Funds. The investors’ potential control was also limited
12 by the fact that the managing partner of each Leland Fund, namely Leland Energy, Leland Kentucky,
13 Leland Colorado, or Leland Tennessee, could only be removed as the managing partner if they
14 “materially fail[ed] to carry out [their] duties.”

15 34. Leland Tennessee also offered investments in a separate program called the Leland
16 Energy Drilling Program (“Drilling Program”). Investors in the Drilling Program received “net
17 revenue interests” entitling them to a percentage of revenue generated by several oil and gas wells
18 that Leland Tennessee operated directly, rather than through a Leland Fund. Leland Tennessee pooled
19 the investments of the Drilling Program investors to fund the operation of the relevant wells. Leland
20 Tennessee had exclusive management power over operation of the relevant wells.

21 35. Between December 16, 2005, and July 24, 2013, Leland Energy solicited investments
22 from approximately 36 Arizona investors (“Leland Investors”), who invested a total of approximately
23 \$3,200,000 in one or more of the Leland Funds and/or the Drilling Program. The Leland Funds and
24 the Drilling Program had approximately the following number of Arizona investors:

<u>Fund/Program</u>	<u>Investors</u>	<u>Fund/Program</u>	<u>Investors</u>
Appalachian Fund	6	Wattenberg Fund II	7
Knox Fund	2	Greeley Fund	7
Green County Fund	4	Opportunity Fund	3
Rodgers Fund	3	Presidents Fund	2
Energy Fund	3	Leland Energy Fund	3
Block Fund	3	Leland Energy Fund II	2
Weld Fund	6	Extension Fund	1
Wattenberg Fund	4	Drilling Program	7

36. Some Leland Investors were not accredited investors at the time they invested.

37. To date, Leland Investors have collectively received repayments of at least \$106,400 plus additional partial repayments of an unknown total amount.

Prior Enforcement Actions

38. On June 2, 1983, the Federal Trade Commission ("FTC") filed a civil complaint against Thompson and other parties in the District Court for the Central District of California alleging that they engaged in deceptive acts and practices in violation of the Federal Trade Commission Act. The FTC alleged that in connection with marketing investment opportunities in oil and gas leases, Thompson misrepresented the past success of the investments, the value of the investments, and customer satisfaction with the investments. Without admitting the underlying facts, Thompson settled the case and stipulated to an order ("FTC Order") permanently enjoining him from misrepresenting the past success, likely future success, or rate of return of any investment program or business opportunity. A federal bankruptcy court later examined the merits of the FTC's allegations, and found that Thompson knew that the representations made in connection with the investment opportunities in oil and gas leases were false.

39. On September 5, 2002, Thompson and Leland Energy consented to orders by the Wisconsin Department of Financial Institutions, Securities Division, ("Wisconsin Order")

1 prohibiting them from offering or selling any unregistered securities to any person in Wisconsin. The
2 Wisconsin Department of Financial Institutions alleged that a salesman acting on behalf of Thompson
3 and Leland Energy made a cold call to a Wisconsin resident to offer securities, namely equity units
4 in an oil and gas limited liability partnership.

5 40. On February 9, 2011, the California Department of Corporations ("the DoC") issued
6 a temporary order ("California Order") alleging that Thompson, Leland Energy, Leland Kentucky,
7 Appalachian Fund, Block Fund, Energy Fund, Green County Fund, Knox Fund, and Rodgers Fund
8 sold securities in the form of limited liability partnership units to at least forty two California
9 investors and that they omitted material facts needed to make statements they made not misleading
10 in light of the circumstances under which they were made, including omitting the Wisconsin Order.
11 The same parties stipulated to a January 30, 2012, settlement agreement ("California Settlement") in
12 which they neither admitted nor denied the DoC's allegations, stipulated to the DoC's Statement in
13 Support of the allegations, and agreed to pay restitution of \$1,360,000.

14 41. In March 2000, Finateri pleaded guilty in the District Court for the Western District
15 of North Carolina to conspiracy to defraud the United States in violation of 18 U.S.C. § 371 and was
16 sentenced to twenty-three months in prison and ordered to pay restitution of \$14,000,000.

17 42. The Respondents failed to disclose the FTC Order to Leland Investors.

18 43. Thompson, Leland Energy, Leland Kentucky, Leland Colorado, Appalachian Fund,
19 Knox Fund, Green County Fund, Rodgers Fund, Energy Fund, Block Fund, Weld Fund, and
20 Wattenberg Fund failed to disclose the Wisconsin Order to Leland Investors.

21 44. During the time between the California Order and the California Settlement,
22 Thompson, Leland Energy, Leland Colorado, Wattenberg Fund, and Wattenberg Fund II did disclose
23 the existence of the California Order to Leland Investors but failed to disclose to Leland Investors
24 that the California Order alleged misleading material omissions by Thompson, Leland Energy, and
25 several Leland Funds.

1 45. Thompson, Leland Energy, Leland Colorado, Leland Tennessee, Greeley Fund, and
2 Finateri each failed to disclose Finateri's fraud conviction to at least one Leland Investor whom
3 Finateri solicited to invest.

4 46. Many of the Leland Investors have stated that they either probably or definitely would
5 not have invested if they had been aware of the enforcement actions described above.

6 47. Thompson offered or sold securities in the form of investment contracts within or from
7 Arizona from on or about August 26, 2010, to on or about June 20, 2013.

8 48. Leland Energy offered or sold securities in the form of investment contracts within or
9 from Arizona from on or about December 16, 2005, to on or about July 24, 2013.

10 49. Leland Kentucky offered or sold securities in the form of investment contracts within or
11 from Arizona from on or about February 29, 2008, to on or about July 24, 2008.

12 50. Leland Colorado offered or sold securities in the form of investment contracts within or
13 from Arizona from on or about August 4, 2010, to on or about July 24, 2013.

14 51. Appalachian Fund offered or sold securities in the form of investment contracts within
15 or from Arizona from on or about December 16, 2005, to on or about January 31, 2006.

16 52. Knox Fund offered or sold securities in the form of investment contracts within or from
17 Arizona from on or about September 11, 2006, to on or about May 23, 2007.

18 53. Green County Fund offered or sold securities in the form of investment contracts within
19 or from Arizona from on or about July 11, 2007, to on or about September 1, 2008.

20 54. Finateri offered or sold Greeley Fund, Opportunity Fund, and Drilling Program securities
21 in the form of investment contracts within or from Arizona from on or about December 31, 2011, to on
22 or about February 11, 2013.

23 55. The securities referred to above were not registered pursuant to Articles 6 or 7 of the
24 Securities Act.

II.**CONCLUSIONS OF LAW**

56. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

57. Respondents Thompson, Leland Energy, Leland Kentucky, Leland Colorado, Appalachian Fund, Knox Fund, Green County Fund, and Finateri offered or sold securities within or from Arizona, within the meaning of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

58. Respondents Thompson, Leland Energy, Leland Kentucky, Leland Colorado, Appalachian Fund, Knox Fund, Green County Fund, and Finateri violated A.R.S. § 44-1841 by offering or selling securities that were neither registered nor exempt from registration.

59. Respondent Thompson, Leland Energy, Leland Kentucky, Leland Colorado, Appalachian Fund, Knox Fund, Green County Fund, and Finateri violated A.R.S. § 44-1842 by offering or selling securities while neither registered as a dealer or salesman nor exempt from registration.

60. The Respondents violated A.R.S. § 44-1991 by (a) employing a device, scheme, or artifice to defraud, (b) making untrue statements or misleading omissions of material fact, or (c) engaging in transactions, practices, or courses of business that operate or would operate as a fraud or deceit.

61. The conduct of Respondents Thompson, Leland Energy, Leland Kentucky, Leland Colorado, Appalachian Fund, Knox Fund, Green County Fund, and Finateri is grounds for a cease and desist order pursuant to A.R.S. § 44-2032.

62. The conduct of Respondents Thompson, Leland Energy, Leland Kentucky, Leland Colorado, Appalachian Fund, Knox Fund, Green County Fund, and Finateri is grounds for an order of restitution pursuant to A.R.S. § 44-2032.

63. The conduct of Respondents Thompson, Leland Energy, Leland Kentucky, Leland Colorado, Appalachian Fund, Knox Fund, Green County Fund, and Finateri is grounds for administrative penalties under A.R.S. § 44-2036.

64. At all relevant times, Thompson directly or indirectly controlled Leland Energy within the meaning of A.R.S. § 44-1999. Therefore, Thompson is jointly and severally liable to the same extent as Leland Energy for its violations of A.R.S. § 44-1991.

65. At all relevant times, Thompson and Leland Energy directly or indirectly controlled Leland Kentucky, Leland Colorado, Leland Tennessee, Appalachian Fund, Knox Fund, Green County Fund, Rodgers Fund, Energy Fund, Block Fund, Weld Fund, Wattenberg Fund, Wattenberg Fund II, Greeley Fund, Opportunity Fund, Presidents Fund, Leland Energy Fund, Leland Energy Fund II, and Extension Fund within the meaning of A.R.S. § 44-1999. Therefore, Thompson and Leland Energy are jointly and severally liable to the same extent as those companies for their violations of A.R.S. § 44-1991.

III.

ORDER

THEREFORE, on the basis of the Findings of Fact, and Conclusions of Law, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondents Thompson, Leland Energy, Leland Kentucky, Leland Colorado, Appalachian Fund, Knox Fund, Green County Fund, and Finateri, and any of their agents, employees, successors and assigns, permanently cease and desist from violating the Securities Act.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondents Thompson and Leland Energy shall, jointly and severally, pay restitution to the Commission in the principal amount of \$865,437.52 as a result of the conduct set forth in the Findings of Fact and Conclusions

1 of Law. Payment is due in full on the date of this Order. Payment shall be made to the "State of
2 Arizona" to be placed in an interest-bearing account controlled by the Commission.

3 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondents Thompson,
4 Leland Energy, and Leland Kentucky shall, jointly and severally, pay restitution to the Commission
5 in the principal amount of \$255,000 as a result of the conduct set forth in the Findings of Fact and
6 Conclusions of Law. Payment is due in full on the date of this Order. Payment shall be made to the
7 "State of Arizona" to be placed in an interest-bearing account controlled by the Commission.

8 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondents Thompson,
9 Leland Energy, and Leland Colorado shall, jointly and severally, pay restitution to the Commission
10 in the principal amount of \$1,286,600.03 as a result of the conduct set forth in the Findings of Fact
11 and Conclusions of Law. Payment is due in full on the date of this Order. Payment shall be made
12 to the "State of Arizona" to be placed in an interest-bearing account controlled by the Commission.

13 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondents Thompson,
14 Leland Energy, and Appalachian Fund shall, jointly and severally, pay restitution to the
15 Commission in the principal amount of \$307,500 as a result of the conduct set forth in the Findings
16 of Fact and Conclusions of Law. Payment is due in full on the date of this Order. Payment shall be
17 made to the "State of Arizona" to be placed in an interest-bearing account controlled by the
18 Commission.

19 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondents Thompson,
20 Leland Energy, and Knox Fund shall, jointly and severally, pay restitution to the Commission in
21 the principal amount of \$37,500 as a result of the conduct set forth in the Findings of Fact and
22 Conclusions of Law. Payment is due in full on the date of this Order. Payment shall be made to the
23 "State of Arizona" to be placed in an interest-bearing account controlled by the Commission.

24 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondents Thompson,
25 Leland Energy, and Green County Fund shall, jointly and severally, pay restitution to the
26 Commission in the principal amount of \$144,000 as a result of the conduct set forth in the Findings

1 of Fact and Conclusions of Law. Payment is due in full on the date of this Order. Payment shall be
2 made to the "State of Arizona" to be placed in an interest-bearing account controlled by the
3 Commission.

4 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondents Thompson,
5 Leland Energy, and Finateri shall, jointly and severally, pay restitution to the Commission in the
6 principal amount of \$281,500 as a result of the conduct set forth in the Findings of Fact and
7 Conclusions of Law. Payment is due in full on the date of this Order. Payment shall be made to the
8 "State of Arizona" to be placed in an interest-bearing account controlled by the Commission.

9 IT IS FURTHER ORDERED, that restitution payments received from Thompson or Leland
10 Energy shall be applied on a pro-rata basis to the restitution obligations ordered in the preceding
11 paragraphs

12 IT IS FURTHER ORDERED, that the restitution ordered in the preceding paragraphs will
13 accrue interest, as of the date of the Order, at the rate of the lesser of (i) ten percent per annum or
14 (ii) at a rate per annum that is equal to one per cent plus the prime rate as published by the board of
15 governors of the federal reserve system in statistical release H. 15 or any publication that may
16 supersede it on the date that the judgment is entered.

17 Any verified investment payment from a Respondent to a Leland Investor confirmed by the
18 Director of Securities shall be credited as a set-off.

19 The Commission shall disburse the funds on a pro-rata basis to investors shown on the records
20 of the Commission. Any restitution funds that the Commission cannot disburse because an investor
21 refuses to accept such payment, or any restitution funds that cannot be disbursed to an investor
22 because the investor is deceased shall be disbursed on a pro-rata basis to the remaining investors
23 shown on the records of the Commission. Any funds that the Commission determines it is unable to
24 or cannot feasibly disburse shall be transferred to the general fund of the state of Arizona.

25 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondents Thompson,
26 Leland Energy, Leland Kentucky, Leland Colorado, Appalachian Fund, Knox Fund, Green County

1 Fund, and Finateri shall each pay an administrative penalty in the following amounts of as a result of
2 the conduct set forth in the Findings of Fact and Conclusions of Law: \$100,000 for Thompson,
3 \$100,000 for Leland Energy, \$15,000 for Leland Kentucky, \$50,000 for Leland Colorado, \$15,000
4 for Appalachian Fund, \$5,000 for Knox Fund, \$10,000 for Green County Fund, and \$15,000 for
5 Finateri. Payment is due in full on the date of this Order. Payment shall be made to the "State of
6 Arizona." Any amount outstanding shall accrue interest as allowed by law.

7 IT IS FURTHER ORDERED, that the administrative penalties ordered in the preceding
8 paragraph will accrue interest at the rate of the lesser of (i) ten percent per annum or (ii) at a rate
9 per annum that is equal to one per cent plus the prime rate as published by the board of governors
10 of the federal reserve system in statistical release H. 15 or any publication that may supersede it on
11 the date that the judgment is entered.

12 IT IS FURTHER ORDERED, that payments received by the state of Arizona shall first be
13 applied to the restitution obligation. Upon payment in full of the restitution obligation, payments
14 shall be applied to the penalty obligation.

15 IT IS FURTHER ORDERED, that if Respondents Thompson, Leland Energy, Leland
16 Kentucky, Leland Colorado, Appalachian Fund, Knox Fund, Green County Fund, and/or Finateri fail
17 to comply with this order, the Commission may bring further legal proceedings against such
18 Respondent, including application to the superior court for an order of contempt.

19 IT IS FURTHER ORDERED, that the findings of fact and conclusions of law contained in
20 this Order shall be deemed binding only against Respondents Thompson, Leland Energy, Leland
21 Kentucky, Leland Colorado, Appalachian Fund, Knox Fund, Green County Fund, and Finateri.

22 IT IS FURTHER ORDERED, that the Notice is dismissed without prejudice as to
23 Respondents Leland Tennessee, Rodgers Fund, Energy Fund, Block Fund, Weld Fund, Wattenberg
24 Fund, Wattenberg Fund II, Greeley Fund, Opportunity Fund, Presidents Fund, Leland Energy Fund,
25 Leland Energy Fund II, and Extension Fund.


26 IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

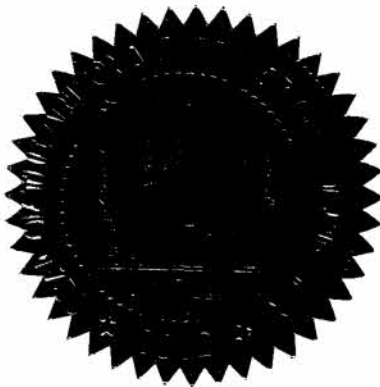

CHAIRMAN FORESE


COMMISSIONER DUNN


COMMISSIONER TOBIN


COMMISSIONER OLSON


COMMISSIONER BURNS



IN WITNESS WHEREOF, I, MATTHEW J. NEUBERT,
Interim Executive Director of the Arizona Corporation
Commission, have hereunto set my hand and caused the official
seal of the Commission to be affixed at the Capitol, in the City
of Phoenix, this 17 day of September, 2018.


Matthew J. Neubert
Interim Executive Director

DISSENT

DISSENT

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SERVICE LIST FOR: STEPHEN M. THOMPSON ET AL.

DOCKET NO. S-21014A-17-0174

Kirtan Khalsa 1702 S. Robertson Blvd., 929 Los Angeles, CA 90035	Leland Energy, Inc. c/o Andrea Weinberger 1315 Cornet Street Henderson, NV 89052
Joseph Finateri 4391 Fernbrook Road Las Vegas, NV 89103	Leland Kentucky Holdings, Inc. c/o InCorp Services, Inc. 828 Lane Allen Road, Suite 219 Lexington, KY 40504
Weld County Drilling Fund, LLP c/o InCorp Services, Inc. 3773 Howard Hughes Parkway, Suite 500S Las Vegas, NV 89169	Leland Kentucky Holdings, Inc. 207 Shirley Street Edmonton, KY 42129
Wattenberg Drilling Fund, LLP c/o InCorp Services, Inc. 3773 Howard Hughes Parkway, Suite 500S Las Vegas, NV 89169	Leland Colorado Holdings, Inc. 261 Robertson Blvd., Suite 200 Beverly Hills, CA 90211
Wattenberg Drilling Fund II, LLP c/o InCorp Services, Inc. 3773 Howard Hughes Parkway, Suite 500S Las Vegas, NV 89169	Leland Colorado Holdings c/o InCorp Services, Inc. 36 S. 18th Avenue Brighton, CO 80601
Presidents Fund, LLP c/o InCorp Services, Inc. 3773 Howard Hughes Parkway, Suite 500S Las Vegas, NV 89169	Green County Energy Fund, LLP c/o Search Company International 7700 East Arapahoe Road, Suite 220 Centennial, CO 80112
Leland Tennessee Holdings, Inc. c/o InCorp Services, Inc. 3773 Howard Hughes Parkway, Suite 500S Las Vegas, NV 89169	The Appalachian Drilling Fund II, LLP c/o Search Company International 7700 East Arapahoe Road, Suite 220 Centennial, CO 80112
Stephen M. Thompson 8950 W. Olympic Blvd, Suite 415 Beverly Hills, CA 90211-3565	Greeley Wattenberg Drilling Fund, LLP Opportunity Drilling & Acquisition Fund, LLP Leland Energy Fund, LLP Leland Energy Fund II, LLP Extension Drilling & Revenue Fund, LLP 2360 Corporate Circle, #400 Henderson, NV 89074
Rodgers Production Revenue Fund, LLP Block City Drilling Fund, LLP 261 S. Robertson Blvd, #200 Beverly Hills, CA 90211	

1 Energy Production Revenue Fund, LLP
2 375 N. Stephanie St, #1411
3 Henderson, NV 8901

Knox Drilling Fund II, LLP
c/o Search Company International
7700 East Arapahoe Road, Suite 220
Centennial, CO 80112